

Division of Securities
Utah Department of Commerce
160 East 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
Telephone: (801) 530-6600

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF:

**LAURENCE DEWEY BLACK,
CRD#1370336;
LARRY BLACK WEALTH
MANAGEMENT fka BECKSTEAD,
BLACK & ASSOCIATES, INC.,
CRD#116271**

Respondents.

NOTICE OF AGENCY ACTION

Docket No. SD-16-0011

Docket No. SD-16-0012

THE DIVISION OF SECURITIES TO THE ABOVE-NAMED RESPONDENTS:

You are hereby notified that agency action in the form of adjudicative proceeding has been commenced against you by the Utah Division of Securities ("Division"). Pursuant to Utah Admin. Code Rule R164-18-6(C) and Utah Code Ann. §63G-4-202(3), the Division Director finds that it is in the public interest and does not unfairly prejudice the rights of any party to convert this adjudicative matter from an informal to formal proceeding, which will be conducted according statute and rule. See Utah Code Ann. §§ 63G-4-201 and 63G-4-204 through -209; see also Utah Admin. Code Rule R151-4-101, *et seq.* The facts on which this action is based are set forth in the accompanying Petition. The legal authority under which this formal adjudicative proceeding is to be maintained is Utah Code Ann. § 61-1-6. You may be represented by counsel or you may represent yourself in this proceeding. Utah Admin. Code Rule R151-4-110.

You must file a written response with the Division within thirty (30) days of the mailing date of this Notice. Your response must be in writing and signed by you or your representative.

Your response must include the file number and name of the adjudicative proceeding, your version of the facts, a statement of what relief you seek, and a statement summarizing why the relief you seek should be granted. Utah Code Ann. § 63G-4-204(1). In addition, pursuant to Utah Code Ann. § 63G-4-204(3), the presiding officer requires that your response:

- (a) admit or deny the allegations in each numbered paragraph of the Petition, including a detailed explanation for any response other than an unqualified admission. Allegations in the Petition not specifically denied are deemed admitted;
- (b) identify any additional facts or documents which you assert are relevant in light of the allegations made; and
- (c) state in short and plain terms your defenses to each allegation in the Petition, including affirmative defenses, that were applicable at the time of the conduct (including exemptions or exceptions contained within the Utah Uniform Securities Act).

Your response, and any future pleadings or filings that should be part of the official files in this matter, should be sent to the following:

Signed originals to:

Administrative Court Clerk
c/o Lee Ann Clark
Utah Division of Securities
160 E. 300 South, 2nd Floor
Box 146760
Salt Lake City, UT 84114-6760
(801) 530-6600

A copy to:

Jennifer Korb
Assistant Attorney General
Utah Division of Securities
160 East 300 South, 5th Floor
Salt Lake City, UT 84114-0872
(801) 366-0310

An initial hearing in this matter has been set on May 11th, 2016 at the Division of Securities, 2nd Floor, 160 East 300 South, Salt Lake City, Utah, at 9 a.m. The purpose of the


initial hearing is to enter a scheduling order addressing discovery, disclosure, and other deadlines, including pre-hearing motions, and to set a hearing date to adjudicate the matter alleged in the Petition.


If you fail to file a response, as described above, or fail to appear at any hearing that is set, the presiding officer may enter a default order against you without any further notice. Utah Code Ann. § 63G-4-209; Utah Admin. Code Rule R151-4-710(2). After issuing the default order, the presiding officer may grant the relief sought against you in the Petition, and will conduct any further proceedings necessary to complete the adjudicative proceeding without your participation and will determine all issues in the proceeding. Utah Code Ann. § 63G-4-209(4). In the alternative, the Division may proceed with a hearing under § 63G-4-208.

The Administrative Law Judge will be Greg Soderberg, Utah Department of Commerce, 160 East 300 South, P.O. Box 146701, Salt Lake City, UT 84114-6701, telephone (801) 530-6706. This adjudicative proceeding will be heard by Judge Soderberg and the Utah Securities Commission. At any hearings, the Division will be represented by the Attorney General's Office. You may appear and be heard and present evidence on your behalf at any such hearings.

You may attempt to negotiate a settlement of the matter without filing a response or proceeding to hearing. To do so, please contact the Utah Attorney General's Office. Questions regarding the Petition should be directed to Jennifer Korb, Assistant Attorney General, 160 E. 300 South, 5th Floor, Box 140872, Salt Lake City, UT 84114-0872, Tel. No. (801) 366-0310.

Dated this 21st day of March, 2016


Keith M. Woodwell
Director, Division of Securities



Certificate of Mailing

I certify that on the 22nd day of March, 2016, I mailed, by certified mail, a true and correct copy of the Notice of Agency Action and Order to Show Cause to:

Larry Black Wealth Management
Attn: Larry Black
3770 Lariat Road
P.O. Box 980190
Park City, UT 84098-0190

Certified Mail # 70150640000475754791



Executive Secretary

Division of Securities
Utah Department of Commerce
160 East 300 South
P.O. Box 146760
Salt Lake City, Utah 84114-6760
Telephone: (801) 530-6600
Facsimile: (801) 530-6980

**BEFORE THE DIVISION OF SECURITIES
OF THE DEPARTMENT OF COMMERCE
OF THE STATE OF UTAH**

IN THE MATTER OF THE LICENSES OF:

**LAURENCE DEWEY BLACK,
CRD#1370336;
LARRY BLACK WEALTH
MANAGEMENT fka BECKSTEAD,
BLACK & ASSOCIATES, INC.,
CRD#116271**

Respondents.

**PETITION TO CENSURE AND
IMPOSE A FINE**

Docket No. SD-16-00 11

Docket No. SD-16-00 12

Pursuant to the authority of the Utah Uniform Securities Act ("Act"), Utah Code Ann. § 61-1-6, the Utah Division of Securities (the "Division") hereby petitions the Utah Securities Commission ("Commission") to enter an Order censuring and imposing a fine on Respondents Laurence Dewey Black ("Black") and Larry Black Wealth Management fka known as Beckstead, Black & Associates, Inc., ("LBWM") (collectively referred to at times herein as "Respondents"). In support of this petition, the Division alleges the following:

STATEMENT OF FACTS

1. LBWM is a Utah corporation that is licensed with the Division as an investment adviser firm with its primary place of business in Park City, Utah. LBWM has been licensed in Utah

since 1992 and was formerly known as Beckstead, Black & Associates, Inc. until August 2011 when it changed its primary business name to Larry Black Wealth Management.

2. Black is the president, owner and designated official of LBWM. He has taken and passed the FINRA Series 6, 7, 22, 63 and 65 examinations. Black has been licensed in Utah as an investment adviser representative of LBWM since 1993. He was also previously licensed as a broker-dealer agent of several broker-dealer firms, but has not been licensed in that capacity since 1997. At present, Black is the sole investment adviser representative of LBWM.
3. In January 2015 the Division received a complaint that alleged, among other things, that Black had knowingly hired a convicted felon as a consultant for options trading strategies. The Division conducted an on-site examination of Respondents in March 2015, which revealed the following:

Significant Books and Records Deficiencies

4. As a general matter, books and records required to be kept by Respondents were neglected to the point that there were few documents for examination. Binders containing client files and other records appeared organized initially, but upon actual review were discovered to be incomplete, outdated, or completely missing required information.
5. Black indicated that his former partner, Chad Beckstead ("Beckstead"), who had retired in 2006, had been excellent at record keeping, but that record keeping was not Black's "strong suit."
6. Specific compliance deficiencies identified in the examination included the following:

Form ADV, Brochure, and Delivery Log

- a. LBWM's Form ADV¹ had not been updated or filed by LBWM since 2011, as is required at least annually by 17 CFR §275.204-1(a) of the Investment Advisers Act of 1940 ("IA Act") and Utah Admin. Code ("UAC") Rule R164-4-3(E)(1)(d);
- b. The Form ADV Part 2 (the Firm Brochure) and Brochure Supplement² had not been updated by LBWM since March 25, 2011, as required by 17 CFR §275.204-2(a)(14)(i), incorporated into the Act through UAC Rule R164-5-1(D)(1);
- c. LBWM had not provided the Firm Brochure and Brochure Supplement to clients, as required by 17 CFR §275.204-3(b) of the IA Act and UAC Rule R164-5-1(D)(1);
- d. LBWM did not maintain an ADV delivery log, as required by 17 CFR §275.204-2(a)(14)(i) of the IA Act, incorporated into the Act through UAC Rule R164-5-1(D)(1);

Cash Receipts

- e. No evidence of cash receipt and disbursement journals was available, as required by 17 CFR §275.204-2(a)(1) of the IA Act, incorporated into the Act through UAC Rule R164-5-1(D)(1);

¹ Form ADV is a uniform document used by investment advisers to register with the United States Securities and Exchange Commission ("SEC") or with state securities regulators.

² Form ADV Part 2 requires investment advisers to prepare narrative brochures written in plain English that contain information such as the types of advisory services offered, the adviser's fee schedule, disciplinary information, conflicts of interest, and the educational and business background of management and key advisory personnel of the adviser. The brochure is the primary disclosure document that investment advisers provide to their clients.

Securities Transaction Orders

- f. No memorandum of each order was kept by LBWM, as required by 17 CFR §275.204-2(a)(3) of the IA Act, incorporated into the Act through UAC Rule R164-5-1(D)(1);

Client Correspondence

- g. LBWM could not produce a record of client or prospect communications, as required by 17 CFR §275.204-2(a)(7) of the IA Act, incorporated into the Act through UAC Rule R164-5-1(D)(1);

Complaint and Litigation Files

- h. No litigation or complaint files were maintained, as required by 17 CFR §275.204-2(a)(14)(iii) of the IA Act, incorporated into the Act through UAC Rule R164-5-1(D)(1)³;

Advertising and Marketing Files

- i. LBWM maintained no marketing or advertising files, as required by 17 CFR §275.204-2(a)(11) of the IA Act, incorporated into the Act through UAC Rule R164-5-1(D)(1);

Client Files

- j. A random review of client account files showed all files reviewed to be out of date and neglected, and therefore noncompliant with the requirements of 17 CFR §275.204-2 of the IA Act, incorporated into the Act through UAC Rule R164-5-1(D)(1). Those deficiencies included:

³ While the examiners determined there had been no complaints to LBWM and no record of legal actions filed against LBWM or Black were found, regulations still require that file folders are created and maintained.

- i. Advisory agreements, when found, were generally outdated—some from as far back as the early 1990s;
- ii. Written advisory agreements between LBWM and clients were outdated or missing;
- iii. With the exception of one file, discretionary authority documentation was missing;
- iv. Documents granting authority for the custodian used by LBWM to directly pay fees to LBWM were not found;
- v. Suitability documents were missing or outdated;
- vi. Option agreements were not found in client files;
- vii. Margin agreements were not found in client files; and
- viii. Notes concerning client meetings and investment decisions were missing or outdated, giving the impression that evaluation and monitoring of client needs and changing circumstances may be neglected.

Bond Requirements

- k. In addition, the Division found that while funds were held in an account designated to meet bonding requirements, the account was not in escrow and the value fluctuated below \$10,000.00, the minimum required amount for advisers with discretionary authority. Consequently, LBWM did not maintain a surety bond or minimum escrow account value at all times as required by § 61-1-4(6)(a) of the Act and UAC Rules R164-4-4(D)(1), R164-4-5(F)(1) and (F)(4).

Policies and Procedures Manual

- l. No policies or procedures document could be produced and was not maintained by LBWM. Failure to maintain a policies and procedures manual is a violation of 17 CFR §275.204-2(a)(17)(i) of the IA Act, incorporated into the Act through UAC Rule R164-5-1(D)(1);
 - i. Consequently, no record documenting the required annual review of the policies and procedures was found, as required by 17 CFR §275.204-2(a)(17)(ii) of the IA Act, incorporated into the Act through UAC Rule R164-5-1(D)(1);

Code of Ethics

- m. LBWM did not have a code of ethics document, as required by 17 CFR §275.204-2(a)(12)(i) of the IA Act, incorporated into the Act through UAC Rule R164-5-1(D)(1);

Financials

- n. LBWM failed to maintain general and auxiliary ledgers reflecting asset, liability, reserve, capital, income, and expense accounts, as required by 17 CFR §275.204-2(a)(2) of the IA Act, incorporated into the Act through UAC Rule R164-5-1(D)(1);
- o. While trial balances and other financial information were generated at the Division's request during the examination, such records were not maintained on an ongoing basis, as required by 17 CFR §275.204-2(a)(6) of the IA Act, incorporated into the Act through UAC Rule R164-5-1(D)(1);

Access Persons

- p. While a record of access persons dated March 10, 2015 was provided at the Division's request during the examination, it had not been maintained continuously as required by 17 CFR §275.204-2(a)(13) of the IA Act, incorporated into the Act through UAC Rule R164-5-1(D)(1);

Associating with or Employing a Barred Individual

- 7. Beginning in approximately June 2010, Black hired Eugene Laff ("Laff"), CRD#300434, as a "consultant". Laff purportedly had expertise in options trading strategies and Black wanted to add options trading to the services available to LBWM clients.
- 8. Laff was previously criminally convicted of felony securities fraud and four other felony charges including conspiracy, wire fraud, and obstruction of justice, and sentenced to 5 years in federal prison for manipulating the prices of three penny stocks. At the time of the violative conduct, Laff was Chairman of the Board of Directors, Chief Executive Officer, and controlling shareholder of a brokerage firm, Haas Securities Corporation, CRD#2104, which was a member of the New York Stock Exchange.
- 9. In addition, by order dated November 29, 1999, Laff was permanently barred by the United States Securities & Exchange Commission ("SEC") from associating with any broker or dealer.
- 10. In a June 2015 interview with the Division, Black admitted that prior to retaining Laff, he knew Laff had a felony conviction, had spent time in prison, and was unable to work in the securities industry. Black denied, however, knowing that the felony conviction and prison time were as a result of securities fraud, and initially denied knowing that Laff had been

actually barred from working in the securities industry.⁴ Laff, however, told the Division he made full disclosure to Black of all the facts and circumstances pertaining to his criminal prosecution and bar.

11. Black told the Division he believed at the time he retained Laff that as long as Laff was “at arm’s length” and did not meet with clients Laff could advise LBWM on options trades as a “consultant” without violating the industry bar.
12. For a fifteen month period from June 2010 through fall of 2011, Black spoke with Laff “virtually every morning”. Laff prepared recommendations for specific options trades and strategies. Black then effected the transactions in client accounts.⁵ Black told the Division he probably followed Laff’s recommendations 80% of the time.
13. There was no written contract between the parties, although Laff was apparently providing similar services to an Arizona investment adviser firm pursuant to a written agreement.
14. LBWM paid Laff a total of \$105,400 in compensation during that timeframe.⁶
15. By fall of 2011, Black concluded that the options strategies took too much time and did not significantly outperform his previous buy-and-hold investing approach. Black terminated the agreement with Laff and ceased trading options.
16. Despite Black’s statement that he understood Laff was prohibited from meeting with clients, Laff, through Black, met with at least two LBWM clients. One investor, F.M., met with Laff

⁴ Black first told the Division that he understood Laff’s felony conviction and prison time was related to a failed floral business. Later in the interview, however, he said he knew it had to do with securities but that he never asked Laff for any additional information. Black also later acknowledged that Laff had told him he was barred from the securities industry.

⁵ Approximately twenty LBWM clients decided to utilize options trading for their accounts.

⁶ Black told the Division Laff was only paid \$10,000 per calendar quarter, for a total of \$40,000.00 annually.

several times at Black's house to learn about the options strategy, and also played golf with Laff and Black.⁷

17. Although Black told some LBWM clients about Laff's history, he did not disclose it to others. F.M. told the Division Black did not tell him Laff was convicted of securities fraud, nor that he was barred from associating with broker-dealers. Client K.W. also told the Division Black did not disclose Laff's fraud conviction or bar.

FIRST CAUSE OF ACTION
Omissions of Material Facts Under § 61-1-1(2) of the Act
(LBWM and Black)

18. In connection with the offer and sale of securities, Respondents omitted to state material facts to clients and on Form ADV, including but not limited to, the following:
- a. that Respondents had associated with or employed a barred individual;
 - b. that Laff's bar was a result of a felony securities fraud conviction; and
 - c. that Laff's association with or employment by LBWM was a violation of the Act.

SECOND CAUSE OF ACTION
Associating with or Employing Barred Individual § 61-1-3(4)(a)(iii)(A)(II) of the Act
(LBWM)

19. Section 61-1-3(4)(a)(iii)(A)(II) provides that it is unlawful for an investment adviser, directly or indirectly, to employ or associate with an individual to engage in an activity related to providing investment advice if the individual is barred from employment or association with a broker-dealer. As described herein, Respondents violated the Act by associating with or employing Laff, a barred individual, in activities related to providing investment advice.

⁷ Black told the Division F.M. stopped by Black's home as Black and Laff were concluding a meeting, and that Black introduced F.M. to Laff at that time. Black stated that F.M. had already implemented the options trading strategy at that time and Black introduced Laff as the "brains" behind the strategy. However, both Laff and F.M. told the Division they met together at Black's home so that Laff could explain to F.M. the proposed options strategy prior to implementing it in F.M.'s portfolio.

THIRD CAUSE OF ACTION
Failure to Maintain Books and Records under § 61-1-5(1) of the Act
(LBWM)

20. Investment advisers are required to maintain books and records as part of their advisory business. As described in paras. 4 - 6 above, numerous books and records were incomplete, outdated, or not maintained, and could not be provided during the examination.

REQUEST FOR RELIEF


The Division requests that, based upon Respondents' willful violations of the Act, pursuant to §61-1-6 of the Act, the Commission enter an order censuring them and imposing a fine, jointly and severally, in the amount of \$45,000.00.

Dated this 18 day of March, 2016.



Kenneth O. Barton
Director of Compliance
Utah Division of Securities

Approved:



Jennifer Korb
Assistant Attorney General